

AR25



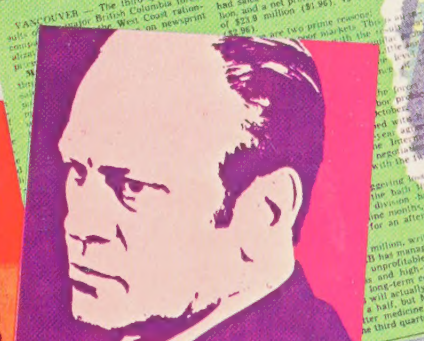
# FRASER ANNUAL REPORT 1975



**Outlook: tough  
slog for economy**



**Forest industry's labor  
problems far from over**



**Canada's recession  
is worst since 30s**

From our Ottawa bureau  
OTTAWA—Canadians were given more gloomy economic news  
Statistics Canada reported that the country's gross national product  
in the first quarter of this year

**Firms told new curbs  
will restrict profits**

OTTAWA (UPI)—The federal government has announced new charges and interest rates, he said. Macdonald insisted the program will not be as hard as  
Canadian corporate dividends would be frozen in the first year of the government's

The guidelines were introduced Sunday, at the moment when the union was seeking to  
million (\$1.7). Sales, at \$28.4 million, were sharply below the \$47.7 million a year earlier.  
For the nine months, Canadian Cellulose had sales of \$123.3 million, vs \$140.8 million, and a net profit, including tax, of \$23.9 million (\$1.96), vs \$26.1 million (\$2.17).  
VANCOUVER — The third-quarter results of the British Columbia Forest Products Corp. on newsprint on newsprint (\$2.90) are two price reasons. This is the first time the company has reported a loss since 1971.  
The loss was \$1.1 million, or 10 cents a share. The company's earnings per share were 10 cents in the third quarter of 1974.  
The company's sales were \$123.3 million, or 10 cents a share. The company's earnings per share were 10 cents in the third quarter of 1974.  
The company's sales were \$123.3 million, or 10 cents a share. The company's earnings per share were 10 cents in the third quarter of 1974.



---

---

## **THE ANNUAL GENERAL MEETING**

of the shareholders of Fraser Companies, Limited will be held at the Lord Beaverbrook Hotel, Fredericton, N.B., on Friday, the 23rd day of April, 1976, at the hour of 11:30 o'clock in the forenoon, Atlantic Standard Time.

## **STOCK TRANSFER AGENT AND REGISTRAR**

Montreal Trust Company  
Montreal, P.Q.,  
Toronto, Ontario,  
Vancouver, B.C.,  
Saint John, N.B.

## **STOCK LISTED**

Montreal Stock Exchange  
Toronto Stock Exchange

# Contents

<b>Directors' Report to the Shareholders</b>	<b>2</b>	<b>Fraser Finances</b>	<b>14</b>
A summary of Fraser's 1975 performance, market and inflation factors, current and future goals.		A broad overview of 1975 with highlights.	
<b>Fraser Bank Statement</b>	<b>4</b>	<b>Consolidated Financial Statements</b>	
The Company's cash transactions during 1975.		Statement of Financial Position	<b>15</b>
<b>Fraser Forests</b>	<b>5</b>	Statements of Earnings and Retained Earnings	<b>16</b>
Management of the forest resource, including the effect of mechanical harvesting, spraying operations, and the re-forestation program.		Statement of Changes in Financial Position	<b>17</b>
<b>Fraser Operations and Products</b>	<b>7</b>	Auditors' Report	<b>17</b>
Sales and market conditions for the Company's lumber, pulp, boxboard, and paper products; capital expenditures, and mill operations.		Notes to Consolidated Financial Statements	<b>18</b>
<b>Fraser Edmundston Rebuild</b>	<b>10</b>	<b>Inflation</b>	<b>20</b>
The conversion and modernization project, its status, and consequent environmental benefits.		The impact on Fraser.	
<b>Fraser People</b>	<b>12</b>	<b>Ten Year Comparison</b>	<b>22</b>
The employees' and the Company's interrelationship and community involvement, labour agreements, safety records, scholarships.		<b>Corporate Information</b>	<b>24</b>
		Directors and Officers; Offices, Plants and Products.	



# Directors' Report to the Shareholders

Not a vintage year! Business in 1975 was a far cry from the record 1974 when, in retrospect, almost everything was easy. In spite of unfavourable economic conditions, our 1975 results represent the third highest earnings and the second highest sales ever recorded by Fraser. Based on traditional accounting methods, 1975 earnings were \$3.08 per share or \$7,212,000 on sales of \$142,775,000. In 1974 earnings amounted to \$14,892,000 or \$6.35 per share on sales of \$158,228,000.

Nevertheless, 1975 will be remembered as a period in which Fraser people met and bested some very tough challenges—maintenance of business in falling markets, planning for major capital expenditures, imposition of Canadian wage and price controls, shrunk and expensive capital markets and the appearance of some tough new competition. The one thing the Company did escape was the labour distress which hit virtually every other significant Canadian forest products company. However, poor markets caused lengthy production cutbacks which were a costly thing for many employees, particularly those in our Restigouche mill.

The cover of this Report symbolizes Fraser's world today. Our business is no longer just producing and marketing lumber, pulp, boxboard and paper. Our management is no longer just those on our staff, nor are Fraser's shareholders the only group with a vested interest in our business.

There are public interests that any company must serve. However, by allowing the public interest to be defined by a mass of narrow pressure groups, this and other businesses must now obey a web of rules that are often counter-productive. This trend appears to have reached the point of overkill, when the cure could be far worse than the disease.

Notwithstanding these difficulties, the will to operate and survive as free enterprise is strong. The problem is to match properly the rewards with the risks.

To put this in perspective with some clarity, two new financial presentations have been developed this year. They are an attempt to show basic financial information in terms that everyone can understand, realizing that fair presentation of the financial position of any company is difficult to do and harder to understand. The first of these is simply a bank statement appearing on page 4, which summarizes the Company's cash transactions by category. Most individuals would probably analyze their personal affairs in much the same manner.

On page 21 a chart is shown which represents a simplified method of displaying the "real" earnings rates on the equity of the Company. Essentially it indicates that the shareholder's dollar, having created benefits for others, has not been very well treated itself, particularly considering the risks involved. On a year-to-year basis you might compare the "real" rates of return with rates offered on savings accounts or other short-term investments.

The Directors remain as deeply concerned as they were last year about the impact of inflation, which is hidden by

following conventional accounting methods. It remains true that most companies, including Fraser, are earning less on the real value of their assets than they would if the same money were invested with less risk in bonds. Again this year a statement has been inserted on page 20 to demonstrate the effect of inflation on reported profits. Although it is relatively rough and ready, since accounting authorities are still undecided on the best way of presenting accounts in "real" terms, it helps to illustrate how far inflation distorts reality. So long as this situation continues it will become increasingly difficult to finance new businesses, or to modernize and expand existing businesses, without help from the Government either through subsidies in one form or another or substantial tax relief.

Fraser, like any vigorous company, is heavily engaged in plans to modernize and streamline its operations to secure its future. Since 1973 the Company has been intensively concerned with the second phase of its major capital program, namely the modernization and conversion of the Edmundston pulp mill. Criteria established meant that whatever is done must be financeable (i.e. profitable), environmentally acceptable, energy efficient and technologically modern. The plan now finalized and getting under way at Edmundston involves changing the pulp cooking base from acid to magnesium, installing a recovery boiler and chemical recovery systems, modernizing and increasing the digesting capacity and various other efficiency improvements. The estimated \$90,000,000 cost of this program will be paid for out of existing cash reserves, cash earnings during the period of



construction, available Government grants and new borrowings. These latter are now being arranged through a private U.S. offering.

Another major decision in 1975 was to begin the establishment of a tree nursery. This project is being carried out with consultants in both Canada and Sweden and will eventually result in the annual production of 7,000,000 seedlings of genetically superior trees.

The third major new initiative of 1975 was a joint study of the Restigouche pulp mill being conducted with the Federal and New Brunswick Governments. The situation of this mill is such that it is extraordinarily vulnerable to cycles in the paper markets, and thus cannot be assured of sustained operations. The goal of the study is to establish a competitive economic unit which will optimize available fibre resources and fully

utilize the excellent work force in the Atholville area. Preliminary findings from the study are expected to be available by the third quarter of 1976.

In October 1975, Canada imposed a system of wage and price restraints designed to bring inflation under control. The objectives of the program are both whole-heartedly welcomed and supported. Unfortunately there was obviously inadequate study given to the regulations which are voluminous and excessively complicated and still require extensive clarification in a number of areas. Therefore it is still too early to accurately assess the impact this program might have on the Company. However, based on the available information, the Company was in compliance with the anti-inflation program in 1975 and will continue to take all the necessary steps to ensure future compliance with that program.

This second year of association with Noranda has been mutually satisfactory as both companies have been able to add to the strength of the other. The wealth of talent and loyalty in Fraser is certainly the basis for viewing the future in this industry with great confidence. Exemplary proof of this is that 1975 was the 50th Anniversary of Fraser Paper, Limited whose strength was demonstrated by its fine performance in a difficult year.

In conclusion, it is to be noted that this is the last Report in which Messrs. F. H. Sobey and R. B. Brennan will be listed as Directors, both having reached the mandatory retirement age. These gentlemen gave the Company exactly the kind and quality of advice and assistance that is sought from the best Directors. They will be hard to replace.

On behalf of the Board.

Adam H. Zimmerman  
Chairman

March 15, 1976.





# Fraser Bank Statement

PLEASE HAVE THIS BOOK WRITTEN UP PERIODICALLY

Date	Item	Withdrawal	Deposit	Balance
Jan 1, 1975	cash in bank			\$23,423,000.00
	Proceeds from sale of lumber, pulp, box board and paper		140,926,000.00	164,349,000.00
	Interest earned on term deposits		1,554,000.00	165,903,000.00
	Paid out for wood	29,820,000.00		
	wages	35,108,000.00		
	fringe benefits	8,304,000.00		
	fuel	15,780,000.00		
	services, chemicals,			
	materials & supplies	35,160,000.00		41,731,000.00
	Paid to reduce debt	765,000.00		
	Paid interest on debt	479,000.00		
	Paid for new machinery & buildings	9,186,000.00		
	Paid to federal, provincial, state & local governments for taxes	15,379,000.00		
	Dividends paid to shareholders	3,751,000.00		12,171,000.00
	Received from sale of shares to employees		45,000.00	
Dec 31, 1975	cash in bank			\$12,216,000.00

SEE YOUR MANAGER FOR PERSONAL AND BUSINESS LOANS



# Fraser Forests

**MANAGEMENT:** In this current age of material shortages, the pulp and paper industry is perhaps unique in that it is based on a renewable forest resource. While the Company's revenues are generated through the manufacture and sale of finished products, the foundation of the whole operation lies in the forests of New Brunswick where the Company manages nearly 2 million acres of woodlands, of which 760,000 acres are owned by the Company. The remaining woodlands are held under a Forest Management License issued by the Province. These forest areas supply 70% of the Company's wood requirements, with the remainder being purchased locally either in log form from owners of wood lots or as chips from sawmills.



**MECHANICAL HARVESTING:** During 1975 extensive evaluations on the utilization of mechanical harvesting equipment were carried out, and the results indicated a more than satisfactory cost reduction on wood delivered to our mills. This program is continuing and mechanization of our cutting operations will be expanded in the immediate and foreseeable future.

**SPRUCE BUDWORM:** The preservation and good management of these forest resources are basic to all the Company's operations. Last year's Annual Report made reference to a serious outbreak of spruce budworm which affected an estimated 14 million acres of New Brunswick woodlands. In 1975 about 6.7 million acres of the areas threatened with the most extensive mortality were sprayed, including almost half of the Fraser limits. While our

limits have suffered from infestation, the overall effect on tree mortality rates or on reduced rates of growth has not been as serious as the damage sustained in other infected areas.

The details of the 1976 spraying program are being finalized, and will call for the spraying of approximately 10 million acres, at over twice the cost of the 1975 program, of which this Company's share was approximately \$700,000. It is projected that the cost of the spraying program in 1976 will be borne two-thirds by the Provincial and Federal Governments and one-third by the user industry.



**REFORESTATION:** In long range planning a more direct approach is indicated to ensure for our operations essential wood supplies in the coming century. Surveys of areas which were harvested five years ago show that approximately 40% of them are not producing, by natural regeneration, enough trees of the more desirable species. At present more than half our forests consist of balsam fir, which is most susceptible to the attacks of the budworm. A decision has been made to gradually increase the percentage of black and white spruce species which are of a more resistant strain.

To this end, a project for a Swedish tree nursery system, seemingly the one best suited for our environment, is being planned and will be developed under an arrangement with a Swedish Company which will provide technical assistance. Such a nursery and planting system will eventually produce 7 million seedlings of genetically superior trees every year. The first crop of seedlings would be ready for planting within three years after completion of the nursery, and the first harvest of grown trees would begin about 40 years later. This project is expected to provide full time employment for 12 persons and part time employment for about 60 people.







## Fraser Operations and Products

**GENERAL:** The manufacturing plants of the Company experienced serious curtailments in operations due to depressed markets. Activity and costs when mills were not operating were held to a minimum, with maintenance being carried out only in instances that required total plant shutdown. Raw material inventories were successfully controlled and continue to be held at minimum levels.

Capital expenditures in 1975 of \$9.2 million, in addition to routine jobs, included the following major items:

Primary woods roads, bridges and heavy woods equipment.

At Madawaska as part of our continuing pollution abatement program, many inplant modifications were made and work continued on the installation of two clarifiers to treat the paper mill effluent, scheduled to be



operational late in 1976. Other projects included computerized controls on No. 2 bond paper machine and modernization of the dryer sections on lightweight groundwood and coating base stock machines.

At Edmundston work began on the project for the bark and refuse burning boiler for waste reclamation and power generation. Field construction started in the third quarter and steel was being erected by year-end,

with start-up scheduled for the third quarter of 1976. When this new facility is fully operational, it will contribute to our energy conservation program by reducing Bunker "C" oil consumption by approximately 13%, or 75,000 barrels per year. Other projects included a new Equipment Service Garage and major repairs to No. 3 Boiler.

At Atholville a new package Boiler was installed. Other projects undertaken included work on the chip handling system, blow pits and felt cleaning systems.

A Drott 80 Knuckle Boom Loader was purchased for each of the sawmills at Plaster Rock and Kedgwick, and authorization was given for extensive planer mill modifications at Kedgwick.

A Wood Products Group was established early in 1976 to continue the investigation into the possibility of improving our lumber business and to seek out and examine new opportunities for improved operations, for greater diversification and for the utilization of both softwood and hardwood tree species.





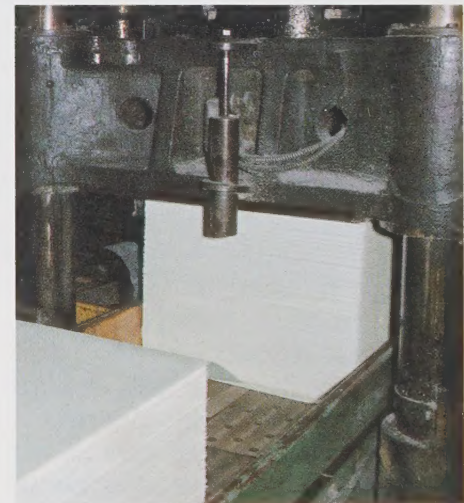
**LUMBER:** Timber holdings in close proximity provide logs for the sawmills at Plaster Rock and Kedgwick in sufficient volume to meet their combined capacity of 65 million board feet annually of high quality spruce lumber.

About half of the sawn lumber is diverted to the production of

specialty lines for a variety of uses, including household repairs, interior finishing and industrial applications, all of which provide relatively stable markets. Shipments of standard dimensional lumber primarily for the construction of housing units account for the balance. About 85% of the total output is sold in the northeastern United States.

Through most of 1975 the lumber market remained as depressed as it was at the end of 1974; accordingly, the Kedgwick mill and the Plaster Rock mill operated 160 days and 246 days respectively, and the work week at both sawmills was reduced from seven to five days. The market firmed late in the fourth quarter of 1975 primarily due to improved housing starts, and selling prices reached their highest level of the year.

**PULP:** Most of the bleached sulphite pulp manufactured at Atholville is used internally by the Company to produce paper and boxboard, with a limited quantity being sold on the open market. In 1975 market pulp was in over-supply throughout the world. Under these conditions increased market sales of Atholville pulp were not sufficient to offset reduced internal demand, and the mill operated at only 54% of capacity for the year. While the mill shut down for lengthy periods, especially during the first half of the year, operating rates improved to about 77% of capacity over the last six months.





At Edmundston, production of unbleached and bleached sulphite and of groundwood pulps are totally integrated to the requirements of the boxboard mill in Edmundston and the paper mills in Madawaska. Internal pulp requirements for the manufacture of paper and boxboard were lower due to poor market conditions; consequently the pulp production at Edmundston during 1975 was considerably below capacity in the second and third quarters, although back to normal in the fourth quarter. The maintenance of fourth quarter level of sales of paper and boxboard will assure full utilization of Edmundston pulp capacity in 1976.

**BOXBOARD:** Shipments of boxboard were 90% of capacity in the first quarter of 1975 primarily due to inventory adjustment by consumers. For the rest of the year, an order file adequate for full operation was maintained. Prices held steady throughout the year and shipments at 30,326 tons were the third highest on record.



**PAPER:** The paper mills at Madawaska account for 85% of the Company's revenue through the production and sale of over 1,000 tons per day of bleached and groundwood papers. These papers are used for converting specialties, commercial printing, coated and uncoated publi-

cations, directories and catalogues, and are sold principally in the east and mid-west United States.

At a time when the industry was in the worst recession since World War II, our paper production averaged about 78% of capacity in 1975. The market for bleached paper grades picked up after mid-year, and in the last quarter our paper production was at or near full capacity. Demand for groundwood paper grades also strengthened towards the end of the third quarter, and remained firm for the rest of the year.

Total shipments of paper for the year were 302,968 tons compared with 383,063 tons in 1974.





# Fraser Edmundston Rebuild

The plan for the comprehensive conversion and modernization of the Edmundston pulp mill, which was referred to previously is now at the stage of implementation. The first phase of the overall plan, the cost of which is estimated at over \$90 million, will be spread over a period of three years, with peak expenditures expected to be in the year 1978. An artist's conception of the modernized mill is shown on the opposite page.

The project will contribute to a significant reduction in the environmental impact of the mill on the air and water of the region, while providing an increase in pulp production, improvements in pulp yield and quality and the modernization of existing facilities. Upon completion of the project, the mill will comply with Environment New Brunswick's effluent discharge requirements both for the St. John River and for atmospheric emissions.

A crucial decision in the program, which was reached only after an exhaustive study in Canada, the United States and abroad, involves changing the cooking process from one based

on ammonia to one using magnesium bisulphite. The major factors in the choice of this pulping process included the lower capital investment, lower operating costs, improved pulp quality and ease of chemical recovery with reduced pollution loads.

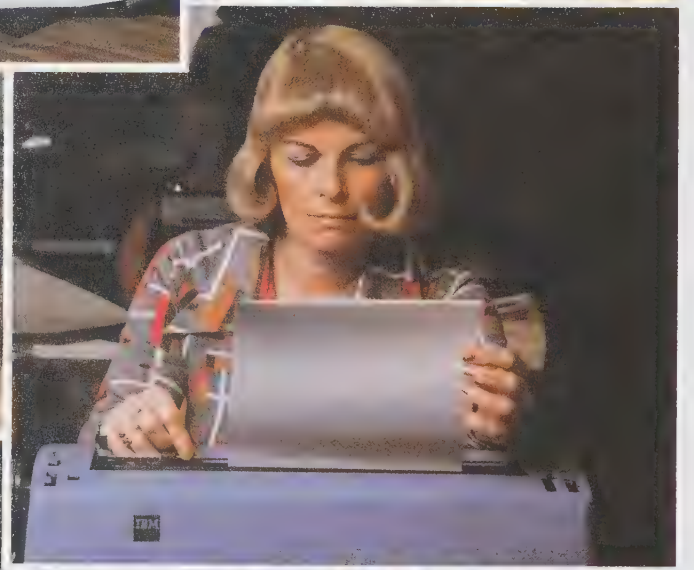
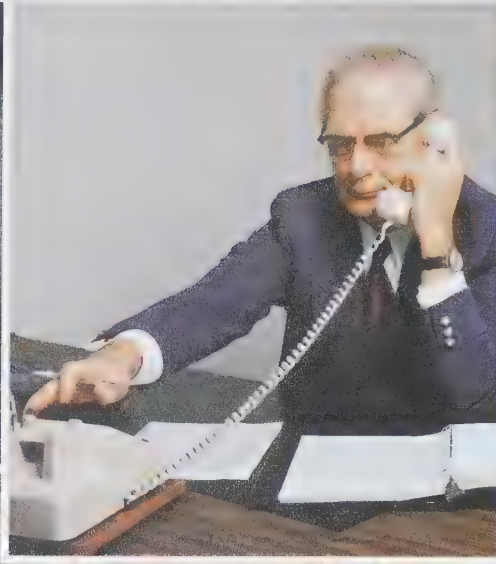
One of the most vital components of the project is the chemical recovery and liquor incineration complex. This will involve the installation of a new recovery boiler which will burn spent cooking liquor and thus both reduce pollution and conserve energy by lowering the consumption of Bunker "C" oil.

The pulp mill will continue to be operational throughout the rebuild period, although there will be some loss of pulp production during the digester rebuild portion of the program. The production at the paper mills is projected to continue without interruption. Upon completion of the digester rebuild late in 1977, there will be a gradual increase in capacity up to 590 tons per day by the end of the initial stage.











# Fraser People

The seasonal nature of woods operations and the ups-and-downs of the markets bring inevitable fluctuations into the employment provided by the Company at any one time. For these reasons, the employment level ranges from a low of about 2,300 to around 3,500 under normal operating conditions. The men and women of Fraser cover a wide range of occupations, from office workers to woods workers. About one in ten are employed in managerial, professional or sales jobs.

The combined efforts of all these Fraser men and women, who are to be congratulated and thanked, were largely responsible for the good results achieved in a very difficult year.

While most of the Canadian pulp and paper industry was disrupted by strikes in 1975, relations at Fraser continued on a cooperative and constructive basis. During 1975 new thirteen month contracts, expiring February 29, 1976, were concluded with office workers at Edmundston and Atholville. A two year agreement was also reached covering the employees at the Kedgwick sawmill. In 1976 a total of twelve contracts will have to be negotiated. Of these, six contracts have expired covering mill and office employees at Edmundston and Atholville, and sawmill and woodlands employees at Plaster Rock. Negotiations for these six agreements have been complicated by the new wage guidelines of the Anti-Inflation Board.

The remaining six agreements, which will expire later in 1976, cover employees at the Madawaska paper mills, woodlands employees in the Edmundston and Restigouche districts, and scalers and clerks in the Restigouche district.

The Company's efforts to ensure safe operations for its employees met with some notable successes in 1975. Throughout woodlands, accidents in 1975 were reduced by 40% from the previous year, and at the sawmills in Plaster Rock and Kedgwick accidents were reduced by an outstanding 77%.

Fraser's operations are a major factor in many communities of New Brunswick and in Madawaska, Maine, and its fortunes are closely and mutually tied to those of its employees and the communities in which they live. The Company is proud of the many employees who give freely of their time to become involved in local Governments, as well as in charitable, religious and service organizations. These men and women, besides being the backbone of Fraser, are also a vital force in the communities associated with Fraser.

As one measure of recognition, Fraser awards two \$5,000 scholarships each year; one to a son or daughter of a Fraser employee, the other to a boy or girl from the communities in which Fraser operates. At present there are eight active scholarship holders studying in Universities from Nova Scotia to California. Three of them are from Edmundston, three from Madawaska and one each from Atholville and Plaster Rock.



# Fraser Finances

**REVIEW:** Computed in accordance with generally accepted accounting principles, net income for 1975 was \$7,212,000 or \$3.08 per share on sales of \$142,775,000. This compares with the 1974 record when net income was \$6.35 per share or \$14,892,000 on sales of \$158,228,000.

It should be noted that the 1975 sales were exceeded only in 1974, while earnings were the third highest in history. This takes on greater significance perhaps when viewed in light of the unusual recession—inflation scenario which prevailed in 1975. For most of the year depressed economic conditions, together with massive customer inventory liquidation, caused pulp and paper operating rates to drop to the lowest levels in the post-war years. Yet the price structure for these products remained virtually intact. At the same time costs continued to increase sharply throughout the year. Although prices were stable, the low operating rates combined with higher costs resulted in severely squeezed profit margins.

## HIGHLIGHTS FOR THE YEAR:

	1975	1974	1973
Net sales	\$142,775,000	\$158,228,000	\$111,913,000
Net earnings from operations	7,212,000	14,892,000	7,753,000
Net earnings per share	3.08	6.35	3.31
Dividends paid per share	1.60	1.40	.60
Cash flow from operations	15,049,000	22,581,000	19,293,000
Cash flow per share	6.42	9.63	8.24
Additions to plants and properties—net	9,186,000	5,886,000	7,310,000

## AT YEAR END:

Working capital	36,807,000	35,467,000	21,763,000
Shareholders' equity	96,207,000	92,746,000	81,054,000
Shareholders' equity per share	41.04	39.56	34.63

Short-term investments of surplus funds generated interest income of \$1,554,000 for the year. Interest expense on long-term debt was \$479,000.

The U.S.-Canadian dollar relationship was volatile throughout the year with the U.S. dollar averaging out to a premium, which produced a gain on foreign exchange of \$2,144,000.

Funds provided from normal operations during the year amounted to \$15,049,000 equal to \$6.42 per share.

Net additions and improvements to plants and properties were \$9,186,000 this year compared with \$5,886,000 in 1974.

Redemption of long-term debt was \$810,000 this year leaving long-term debt outstanding at year-end of \$8,909,000, which is equivalent to 9.3% of shareholders' equity. During the year negotiations were commenced for the private placement of U.S. \$35,000,000 in Debentures. The terms and conditions of the issue

are being finalized and will include revisions affecting the existing First Mortgage and Collateral Trust Bonds on a basis satisfactory to the Company. It is expected that the transaction will be completed in the first half of 1976. Proceeds of the new issue will be used to finance in part the modernization and expansion program at the Edmundston mill.

Dividends paid in 1975 increased to \$3,751,000 or \$1.60 per share from \$3,282,000 or \$1.40 per share last year.

Working capital increased during the year to \$36,807,000, of which cash items amounted to \$12,216,000.

At year-end shareholders' equity was \$96,207,000 or \$41.04 per share compared with \$92,746,000 or \$39.56 per share a year ago.



# Fraser Companies, Limited and Subsidiaries Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)	1975	1974
Current assets:		
Cash, short-term deposits and commercial notes	\$ 12,216	\$ 23,423
Accounts receivable	17,289	16,122
Inventories (note 2)	22,931	20,684
Income taxes recoverable	488	—
Prepaid expenses	640	224
Total current assets	53,564	60,453
Current liabilities:		
Accounts payable and accruals	15,995	16,293
Income taxes payable	—	7,949
Bonds due within one year	762	744
Total current liabilities	16,757	24,986
Working capital	36,807	35,467
Due under Stock Purchase Plan (note 4)	259	297
Fixed assets (note 3)	76,257	74,444
Working capital and other assets employed	113,323	110,208
First Mortgage and Collateral Trust Bonds:		
5½% series due 1977/87 at \$750,000 U.S. per annum (\$8,250,000 U.S.)	8,909	9,719
Deferred taxes on income	8,207	7,743
	17,116	17,462
Shareholders' equity (note 4)	\$ 96,207	\$ 92,746
Represented by:		
Capital stock	\$ 5,985	\$ 5,985
Retained earnings	90,222	86,761
	\$ 96,207	\$ 92,746

See accompanying notes to consolidated financial statements.

On behalf of the Board:

A.H. Zimmerman, Director

C.R. Recor, Director



# Consolidated Statements of Earnings and Retained Earnings

Year ended December 31 (in thousands of dollars)	1975	1974
Earnings:		
Net sales	\$142,775	\$158,228
Cost of sales	119,336	121,104
Depreciation and depletion	7,373	6,796
Selling, general and administrative expenses	7,015	5,665
	133,724	133,565
	9,051	24,663
Other income (expenses):		
Interest income	1,554	2,105
Interest on long-term debt	(479)	(497)
Gain (loss) on foreign exchange	1,091	(757)
Miscellaneous (net)	222	171
	2,388	1,022
Earnings before income taxes	11,439	25,685
Taxes on income	4,227	10,793
Net earnings	\$ 7,212	\$ 14,892
Earnings per Class "A" and Class "B" share	\$ 3.08	\$ 6.35
Retained earnings:		
Balance at beginning of year	\$ 86,761	\$ 75,151
Net earnings	7,212	14,892
	93,973	90,043
Dividends paid—\$1.60 per share (1974—\$1.40)	3,751	3,282
Balance at end of year	\$ 90,222	\$ 86,761

See accompanying notes to consolidated financial statements.



# Consolidated Statement of Changes in Financial Position

Year ended December 31 (in thousands of dollars)	1975	1974
Source of funds:		
Net earnings	\$ 7,212	\$14,892
Add items not requiring expenditure of funds:		
Depreciation and depletion	7,373	6,796
Deferred taxes on income	464	893
Funds provided from operations	15,049	22,581
Long-term receivable becoming current	—	996
Stock Purchase Plan	38	105
Total funds provided	15,087	23,682
Application of funds:		
Additions and improvements to plants and properties—net	9,186	5,886
Redemption of long-term debt	810	810
Dividends	3,751	3,282
Total funds used	13,747	9,978
Increase in working capital	1,340	13,704
Working capital at beginning of year	35,467	21,763
Working capital at end of year	\$36,807	\$35,467

See accompanying notes to consolidated financial statements.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated statement of financial position of Fraser Companies, Limited and subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

Montreal, Quebec  
February 12, 1976



# Notes to Consolidated Financial Statements

## Dec. 31, 1975.

### 1. ACCOUNTING POLICIES:

A summary of significant accounting policies followed by the Company and its subsidiaries is set out below.

#### Basis of presentation of financial statements:

The accompanying financial statements include on a consolidated basis the accounts of the Company and its subsidiaries, all of which are wholly-owned.

#### Foreign exchange:

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at balance sheet dates for current items and at exchange rates in effect at the transaction dates for non-current assets and liabilities. No recognition is given in the accounts to unrealized gains or losses on long-term debt. Income and expenses are translated at average rates prevailing during the year except for depreciation which is translated at the rates prevailing when fixed assets were acquired.

#### Inventories:

In general, pulpwood and logs, raw materials and supplies are carried at cost or replacement cost whichever is lower. Goods in process and finished products are valued at the lower of cost and net realizable value.

#### Fixed assets:

The costs of additions, betterments and renewals are capitalized and expenditures for maintenance and repairs are charged to expense.

Government grants received in connection with the construction or expansion of production facilities are credited to the cost of such assets. At the time of disposal or retirement of plant and property, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Buildings, machinery and equipment are depreciated, generally on a straight-line basis, at rates estimated to amortize the cost of each asset over its economic life. Rates in use for the principal classes of such

assets are as follows:

Buildings 2½%  
Production machinery 6¼%  
Automotive and mechanized woods equipment 10% to 25%

Logging roads are written off on a straight-line basis over 10 years and amortization of timber limits is determined on a basis related to production.

#### Research and development:

Research and development expenses are charged against earnings as incurred.

#### Investment tax credits:

Canadian and U.S. federal income tax credits are recognized as a reduction in the provision for income taxes in the years in which such credits are claimed for tax purposes.

#### Earnings per share:

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

### 2. INVENTORIES:

	1975	1974
	(\$000's)	
Pulpwood and logs, including advances	\$ 9,869	\$ 7,340
Raw materials and supplies	8,556	8,856
Goods in process and finished products	4,506	4,488
	<u>\$ 22,931</u>	<u>\$ 20,684</u>

### 3. FIXED ASSETS:

	1975	1974
	(\$000's)	
Plants and properties	\$180,520	\$176,161
Less accumulated depreciation	104,545	102,014
	<u>75,975</u>	<u>74,147</u>
Freehold and leasehold properties	7,957	7,939
Less accumulated depletion	7,675	7,642
	<u>282</u>	<u>297</u>
	<u>\$ 76,257</u>	<u>\$ 74,444</u>



**4. SHAREHOLDERS' EQUITY:**

Capital stock — convertible common shares without nominal or par value:

	<u>Authorized</u>
Class "A"	5,000,000 shares
Class "B"	5,000,000
	<u>Issued</u>
Class "A"	2,218,133 shares
Class "B"	126,269

The only distinction between the two classes, which are convertible into one another on a share for share basis, is that the directors may specify that cash dividends on Class "B" shares be paid out of 1971 capital surplus on hand (as defined in the Income Tax Act).

No shares were issued in 1975 (1974—3,750 Class "A" shares for a consideration of \$82,687) pursuant to the provisions of the Stock Purchase Plan whereby shares may be issued for the account of certain employees at the discretion of the directors. Payment for shares issued under the Plan is made by employees in instalments so that the aggregate purchase price will be paid within ten years. At December 31, 1975 the Trustee held 15,485 Class "A" shares as collateral for the unpaid balances aggregating \$322,000 at that date.

**Retained earnings:**

At December 31, 1975, retained earnings include approximately \$43 million of 1971 capital surplus on hand. It is the intention of the directors, if, as and when dividends may be declared on the Class "B" shares, to deem that such dividends be paid out of this 1971 capital surplus.

**5. PENSION PLANS:**

According to the latest actuarial reports on the Company's pension plans, there was an unfunded liability as of December 31, 1974 of \$5,975,000, due primarily to benefit improvements introduced in 1974, which will be amortized by annual payments of \$589,000 for fourteen years as recommended by the actuaries.

In 1974, the Company provided \$1,100,000 for a possible additional contribution to its pension plans in view of the decline in market value of the assets of the plans. No payment was made against this provision in 1975.

**6. CONTINGENT LIABILITY:**

Fraser Companies, Limited has received a re-assessment for the 1970 taxation year and has been advised by Revenue Canada of its intention to re-assess the 1971 taxation year with respect to the treatment of certain income for tax purposes in those years. The Company disputes the position taken by Revenue Canada and intends to contest such re-assessments. The amount of additional income taxes, including interest to December 31, 1975, which could be involved is estimated at \$700,000 and no provision has

been made therefor in the accompanying financial statements.

**7. COMMITMENTS:**

The Company proposes to proceed with a capital expenditure program at its Edmundston mill to increase production capacity and efficiency and to meet prescribed environmental standards. Capital outlays aggregating \$90 million are anticipated over the years 1976 to 1979. In connection with this program, the Company is negotiating with lenders for the sale of \$35 million (U.S.) principal amount of long-term debt. The terms and conditions of the issue have not yet been finalized but they will include revisions to the terms and conditions attaching to the outstanding First Mortgage and Collateral Trust Bonds on a basis that is satisfactory to the Company.

At December 31, 1975 contractual commitments for capital expenditure amounted to \$5 million.

**8. ANTI-INFLATION LEGISLATION:**

Fraser Companies, Limited is subject to anti-inflation legislation with respect to prices, compensation and dividends.

**9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:**

Aggregate remuneration to persons who served as directors and officers of Fraser Companies, Limited at any time during the year was as follows:

	1975		1974	
	10 Directors	14 Officers	12 Directors	13 Officers
Remuneration paid by:				
Fraser Companies, Limited	\$44,000	\$295,000	\$39,000	\$230,000
Fraser Paper, Limited	—	153,000	—	145,000
	\$44,000	\$448,000	\$39,000	\$375,000

Four officers of the Company were also directors.



**CONSOLIDATED STATEMENT OF EARNINGS**

Year ended December 31, 1975  
(in thousands of dollars)

	Historical Cost	Historical Cost Restated to Reflect Purchasing Power of 1975 Dollar
Net Sales	\$142,775	\$149,200
Cost of sales, selling, general and administrative expenses	126,351	134,973
Depreciation and depletion	7,373	11,099
	133,724	146,072
Other income and expense (net)	9,051	3,128
	2,388	2,397
Earnings before income taxes	11,439	5,525
Taxes on income	4,227	4,417
Net earnings	\$ 7,212	\$ 1,108
Per common share	\$ 3.08	\$ .47

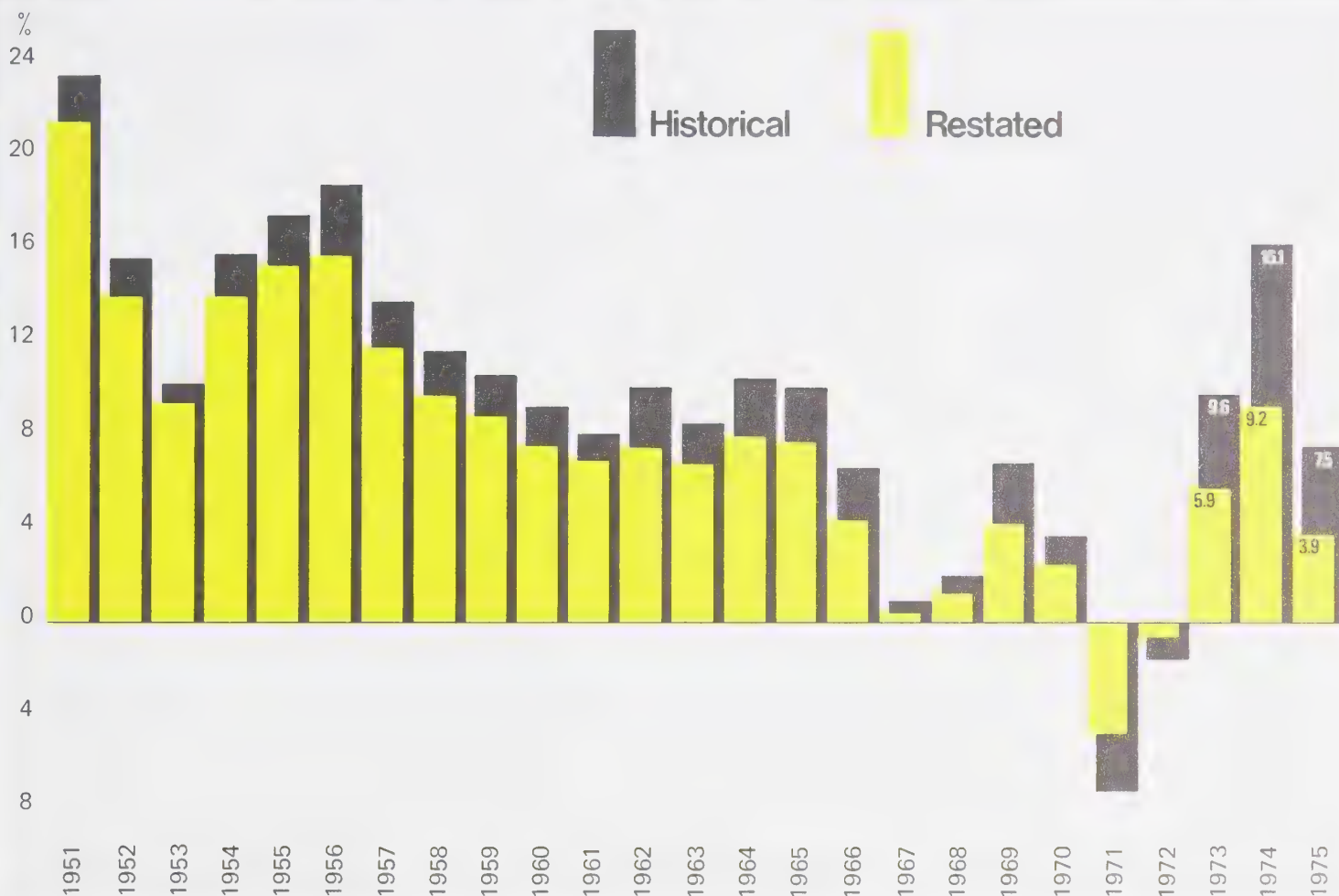
**RESTATEMENT PROCEDURE:**

Adjusted to reflect the purchasing power of the 1975 dollar by using the Consumer Price Index and the proposed accounting recommendations issued by the Canadian Institute of Chartered Accountants.

**INFLATION**  
The Impact on



## RETURN ON SHAREHOLDERS' EQUITY

**RESTATEMENT PROCEDURE:**

**Profit:** Historical after tax profit (before extraordinary items).

**Equity:** The 1950 year-end historical dollar equity was restated to 1951 year-end dollars by applying the inflation factor for the year 1951 (GNE Implicit Price Index) to which was added the historical dollar equity increase in 1951. Each year thereafter the beginning restated equity was "updated" to current year-end dollars and increased or decreased by the historical dollar equity change during the year.

ON!  
Fraser



# Ten Year Comparison

FOR THE YEAR	1975	1974
SALES AND EARNINGS DATA (\$000's)		
Net sales	\$ 142,775	\$ 158,228
U.S. exchange gain (loss)	2,144	(3,168)
Interest on long-term debt	479	497
Depreciation and depletion	7,373	6,796
Selling, general and administrative expenses	7,015	5,665
Taxes on income	4,227	10,793
Net earnings (loss) from operations	7,212	14,892
Extraordinary items (net)	—	—
Net earnings for the year	7,212	14,892
FINANCIAL POSITION DATA (\$000's)		
Working capital	36,807	35,467
Cash flow from operations	15,049	22,581
Net additions to plants and properties	9,186	5,886
Bond debt at end of year	9,671	10,463
Deferred taxes on income	8,207	7,743
OTHER FINANCIAL DATA		
Net earnings (loss) from operations per share	3.08	6.35
Extraordinary items (net) per share	—	—
Net earnings for the year per share	3.08	6.35
Dividends per share	1.60	1.40
Cash flow from operations per share	6.42	9.63
Common shareholders' equity per share	41.04	39.56
Common shares outstanding at end of year	2,344,402	2,344,402
Return on total capital invested—%	6.6	13.8
Return on shareholders' equity—%	7.5	16.1
QUANTITIES SOLD		
Paper— tons	302,968	383,063
Boxboard— tons	30,326	32,389
Pulp— tons	12,191	10,533
Lumber— M f.b.m.	46,081	46,190



1973	1972	1971	1970	1969	1968	1967	1966
111,913	\$ 90,926	\$ 62,639	\$ 73,730	\$ 91,327	\$ 76,568	\$ 70,681	\$ 72,412
18	(382)	372	1,456	3,771	3,169	2,929	3,095
547	583	622	661	714	735	769	395
6,400	6,294	5,272	3,801	5,836	5,890	5,502	6,567
4,787	4,450	5,244	5,673	4,936	3,716	3,640	4,079
6,424	(685)	(5,648)	811	1,993	322	—	1,642
7,753	(751)	(4,856)	2,614	4,403	1,161	127	3,680
5,916	—	—	6,807	1,933	—	579	—
13,669	(751)	(4,856)	9,421	6,336	1,161	706	3,680
21,763	11,741	6,965	25,339	23,186	19,876	15,711	15,941
19,293	4,765	(4,349)	6,638	12,070	7,315	6,167	11,279
7,310	1,909	14,785	40,243	10,608	2,609	4,168	19,917
11,279	12,089	12,899	13,716	14,579	15,389	16,199	16,199
6,850	1,710	2,427	7,131	8,859	6,991	6,691	6,691
3.31	(0.32)	(2.08)	1.12	1.90	0.50	0.06	1.65
2.53	—	—	2.92	0.83	—	0.26	—
5.84	(0.32)	(2.08)	4.04	2.73	0.50	0.32	1.65
0.60	0.10	0.15	0.90	0.65	0.10	0.60	1.40
8.24	2.04	(1.86)	2.85	5.20	3.18	2.77	5.07
34.63	28.89	29.31	31.56	28.45	26.41	26.44	26.73
2,340,652	2,334,802	2,334,302	2,331,802	2,320,952	2,300,202	2,226,102	2,226,102
8.2	(0.5)	(5.5)	3.3	5.5	2.1	1.1	4.8
9.6	(1.1)	(7.1)	3.6	6.7	1.9	0.2	6.2
363,144	322,771	195,049	221,278	241,734	212,306	203,243	215,313
31,625	29,118	28,154	27,505	27,998	24,053	24,407	24,369
20,229	49,151	50,255	88,387	211,058	180,463	128,731	120,831
49,774	57,153	52,507	39,016	33,033	20,616	27,435	26,781







# Directors & Officers

## BOARD OF DIRECTORS

CARL E. BEIGIE  
RALPH B. BRENNAN  
W. R. CLERIHUE \*†  
KENNETH V. COX †  
H. ROY CRABTREE \*  
C. M. FRANTZ  
DAVID J. HENNIGAR \*†  
C. R. RECOR \*  
FRANK H. SOBEY  
A. H. ZIMMERMAN \*

## HONORARY DIRECTORS

AUBREY CRABTREE  
L. M. SHERWOOD

\* Member of Executive Committee

† Member of Audit Committee

## OFFICERS

A. H. ZIMMERMAN  
*Chairman and Chief Executive Officer*

H. ROY CRABTREE  
*Vice-Chairman of the Board*

C. R. RECOR  
*President*

RALPH B. BRENNAN  
*Senior Vice-President*

JOHN P. FISHER  
*Executive Vice-President*

K. GROTTROD  
*Senior Vice-President—Operations*

J. K. BARRY  
*Vice-President—Marketing*

P. M. BELYEA  
*Vice-President—Woodlands*

B. W. HICKS  
*Vice-President and Secretary*

M. B. ROBINSON  
*Vice-President and Treasurer*

R. V. OSBORN  
*Vice-President—Corporate  
Fraser Paper, Limited*

H. H. VALLETTE, Jr.  
*Vice-President—Marketing and Planning  
Fraser Paper, Limited*

K. L. SEELY  
*Controller*

H. P. HIERLIHY  
*Assistant Treasurer*

D. G. McALARY  
*Assistant Controller*

# Offices, Plants & Products

## FRASER LUMBER

*Mills:*  
Plaster Rock, New Brunswick  
W. H. Miller Company, Limited  
Kedgwick, New Brunswick  
(a wholly-owned subsidiary)  
*Product:*  
Eastern Canadian Spruce  
*End Use:*  
Residential and commercial buildings  
*Market:*  
Eastern Canada and Eastern United States  
*Sales Office:*  
Edmundston, New Brunswick E3V 1S9

## FRASER PULP

*Mills:*  
Atholville and Edmundston,  
New Brunswick  
*Products:*  
Bleached and unbleached softwood  
sulphite, and groundwood  
*Market:*  
North America and overseas  
*Sales Offices:*  
Edmundston, New Brunswick E3V 1S9  
1155 Dorchester Blvd. West,  
Montreal, Quebec H3B 3T6

## FRASER BOXBOARD

*Mill:*  
Edmundston, New Brunswick  
*Products:*  
Coated and uncoated folding boxboard  
*End Uses:*  
Packaging for food, detergents,  
cigarettes, frozen foods, pharmaceuticals,  
pet foods, etc.  
*Market:*  
Canada  
*Sales Offices:*  
1155 Dorchester Blvd. West,  
Montreal, Quebec H3B 3T6  
600 The East Mall,  
Islington, Ontario M9B 4B1

## FRASER PAPER

*Mills:*  
Fraser Paper, Limited  
Madawaska, Maine  
(a wholly-owned subsidiary)

*Bond and Writing Papers:*  
Five paper machines

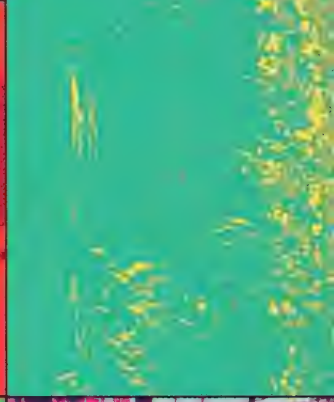
*Groundwood Printing Papers:*  
Three paper machines and one  
off-machine blade coater

*End Uses:*  
Papers for converting specialties,  
commercial printing,  
coated and uncoated publications,  
directories and catalogues

*Market:*  
United States

*Sales Offices:*  
2 Greenwich Plaza,  
Greenwich, Conn. 06830  
2300 East Devon Avenue,  
Des Plaines, Illinois 60018







*Fraser Companies, Limited*  
*Edmundston, N.B.*

**NOTICE OF SPECIAL GENERAL AND  
ANNUAL GENERAL MEETINGS OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that a Special General Meeting of shareholders of Fraser Companies, Limited will be held at the general office of the Company in Edmundston, New Brunswick, Canada, on Monday, the 21st day of April, 1975, at the hour of ten o'clock in the forenoon, Atlantic Standard Time, for the following purpose, that is to say:

To consider, and if deemed fit, to sanction and approve Special By-law NN of the By-laws of the Company, increasing the number of directors of the Company from nine (9) to ten (10).

AND NOTICE IS HEREBY FURTHER GIVEN that the said Meeting shall be constituted and continued as the Annual General Meeting of shareholders of the Company for the following purposes, that is to say:

To receive and consider the annual report of the directors, the financial statements of the Company and the auditors' report for the fiscal year ended December 31, 1974;

To elect directors for the ensuing year;

To appoint auditors and to fix or to authorize the Board of Directors to fix their remuneration; and

To transact such other business as may properly come before the said Meeting.

If you are unable to attend in person, will you please date, complete, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

By Order of the Board of Directors,

B. W. HICKS,  
*Vice-President and Secretary.*

March 7, 1975.



# **INFORMATION CIRCULAR**

**(dated as of March 7, 1975)**

This Information Circular is furnished in connection with the solicitation of proxies for use at the Special and Annual General Meetings of shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, Edmundston, New Brunswick, Canada, on Monday, April 21st, 1975, and at any adjournment thereof. In the event that you are unable to attend the meetings personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Company in time for use at the meetings. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

## **Right of Revocation**

A shareholder giving an instrument of proxy may revoke the same by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company, Plaster Rock, New Brunswick, or the general office of the Company, Edmundston, New Brunswick, at any time up to and including the last business day preceding the day of the meetings, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meetings on the day of the meetings, or adjournment thereof.

## **Solicitation of Proxies**

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

## **Voting Shares and Principal Holders Thereof**

There are outstanding 2,230,112 Class "A" Convertible Common Shares without nominal or par value (hereinafter called Class "A" Shares) and 114,290 Class "B" Convertible Common Shares without nominal or par value (hereinafter called Class "B" Shares) of the capital stock of the Company. Each Class "A" Share and each Class "B" Share entitles the holder thereof to one (1) vote per share.

The holders of Class "A" Shares and the holders of Class "B" Shares will be entitled to vote at the meetings and at any adjournment thereof if present or represented by proxy thereat.

Northwood Mills Limited and The Harold Crabtree Foundation, the holders of Class "A" Shares or Class "B" Shares, as the case may be, are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Northwood Mills Limited holds 1,278,897 equity shares and The Harold Crabtree Foundation holds 241,429 equity shares, representing 54.55% and 10.30% respectively of the outstanding equity shares.

## **Approval of Special By-Law NN**

The purpose of Special By-law NN is to increase the number of directors of the Company from nine (9) to ten (10). Special By-law NN was enacted by the Board of Directors of the Company on the 24th day of February, 1975, and is to be submitted to the Special General Meeting for sanction and approval by the shareholders.

## **Election of Directors**

The By-laws of the Company provide that the Board of Directors of the Company shall consist of nine (9) directors to be elected annually and, upon the sanction and approval of Special By-law NN, the Board of Directors shall consist of ten (10) directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death, removal or other cause.



The following persons are proposed to be nominated for election as directors of the Company:

<u>Nominees for Directors and Principal Occupation</u>	<u>Period of Service as Director</u>	<u>Approximate Number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly</u>
Carl E. Beigie, <sup>(1)</sup> Executive Director and Comptroller of C. D. Howe Research Institute (Economic Research).	—	10 Class "A" Shares
Ralph B. Brennan, Senior Vice-President of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman of the Board of G. E. Barbour Co. Ltd. (Manufacturer and Distributor of Food Products).	1954 to date	1,000 Class "A" Shares
W. R. Clerihue, <sup>(2)</sup> Member of the Executive Committee of the Company; President and Chief Executive Officer of Celanese Canada Limited (Manufacturer of Fibres, Fabrics, Carpets and Chemicals).	1974 to date	51 Class "A" Shares
Kenneth V. Cox, Trustee of the Stock Purchase Plan of the Company; President of The New Brunswick Telephone Company, Limited (Public Utility).	1969 to date	200 Class "A" Shares
H. Roy Crabtree, <sup>(3)</sup> Vice-Chairman of the Board of the Company, Member of the Executive Committee of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman and President of Wabasso Limited (Manufacturer of Textiles).	1956 to date	30,400 Class "B" Shares
Carl M. Frantz, <sup>(4)</sup> President of Northwood Mills Limited (Manufacturer of Lumber).	1974 to date	501 Class "A" Shares
David J. Hennigar, Member of the Executive Committee of the Company; Atlantic Regional Director of Burns Bros. and Denton Limited (Investment Dealers).	1969 to date	200 Class "B" Shares
C. R. Recor, President of the Company, Member of the Executive Committee of the Company.	1972 to date	5,710 Class "A" Shares
Frank H. Sobey, Honorary Chairman of Sobey Stores Limited (Retailer of Food Products).	1963 to date	45,659 Class "A" Shares
A. H. Zimmerman, <sup>(5)</sup> Chairman of the Board and Chief Executive Officer of the Company, Chairman of the Executive Committee of the Company; Executive Vice-President of Noranda Mines Limited (A Natural Resource and Manufacturing Company).	1974 to date	201 Class "A" Shares

(1) Mr. Beigie has been Executive Director and Comptroller of C. D. Howe Research Institute since June 1971, prior to which from August 1968 he was International Economist and Assistant Vice-President of Irving Trust Company, New York.

(2) Mr. Clerihue has been President of Celanese Canada Limited since March 1972, prior to which from December 1970 he was Vice-President, Finance of Bendix Corp. and from March 1971 a Director.

(3) Mr. Crabtree's "associate", The Harold Crabtree Foundation, owns 241,429 Class "A" Shares.

(4) Mr. Frantz was elected President of Northwood Mills Limited in April 1974, prior to which for a period in excess of the five preceding years he was Vice-President of Northwood Pulp and Timber Limited.

(5) Mr. Zimmerman has been Executive Vice-President or a Senior Officer of Noranda Mines Limited for a period in excess of the five preceding years.

## Remuneration of Directors and Officers

The following information as to the aggregate direct remuneration paid during the last completed financial year of the Company ended December 31, 1974, to the directors and officers of the Company, and to such officers by Fraser Paper, Limited, a subsidiary of the Company;

Aggregate direct remuneration paid by the Company:

To the directors as such .....	\$ 38,684
To the officers as such .....	\$230,440
Aggregate direct remuneration paid by Fraser Paper, Limited to such officers as such .....	\$139,912
Estimated aggregate cost to the Company and its subsidiaries of all pension benefits .....	\$ 30,283
Aggregate amount of all remuneration payments other than payments reported above, proposed to be made in the future by the Company and its subsidiaries pursuant to existing arrangements .....	\$ 5,000

No director, officer, proposed nominee for election as a director or associate of any of the foregoing is or has been indebted to the Company or its subsidiaries at any time since the beginning of the last completed financial year of the Company. Under the Stock Purchase Plan of Fraser Companies, Limited dated as of July 2nd, 1968, the Company provided moneys to trustees with which to purchase Common Shares of the Company which are held for the benefit of certain employees of the Company upon the exercise of their rights. The aggregate amount owing by such employees to the trustees as at the date of this Information Circular, was \$360,449.30 of which approximately \$180,857.31 was owing by employees who were directors and/or officers of the Company.

The following information as to the grant of rights to purchase Common Shares of the Company and the exercise thereof is given for the period since the commencement of the last completed financial year of the Company ended December 31, 1974, with respect to the directors and officers of the Company as a group.

Date of Grant (1)	Date of Exercise (1)	Number of Common Shares	Purchase Price per Share	Price Range (2) High Low
January 31, 1974		2,250	\$22.05	\$23.00 \$20.50
	February 12, 1974	250	\$22.05	\$23.75 \$21.25
	March 4, 1974	2,000	\$22.05	\$24.00 \$22.75

(1) The rights to purchase were granted and where applicable exercised pursuant to the Company's Stock Purchase Plan dated as of July 2nd, 1968.

(2) Price Range of Common Shares on Montreal Stock Exchange for thirty days preceding the date of grant or date of purchase.

## Appointment of Auditors

Peat, Marwick, Mitchell & Co. are the Auditors of the Company, having been first appointed to such position on April 19, 1974. It is proposed by the management of the Company that such firm be reappointed the Auditors of the Company.

## Designation of Proxy

The persons named in the enclosed instrument of proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

## Voting of Shares Represented by Management Proxy

The shares represented by the instrument of proxy will be voted or withheld from voting, as the case may be, on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter for which a choice is provided, such shares shall be voted or withheld from voting in accordance with the specifications so made. Where a choice is not specified by the means provided in the instrument of proxy, **it is intended that the shares represented by the instrument of proxy in each such case will be voted in favour of each such matter.**

The enclosed instrument of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of meetings, or other matters that may properly come before the Annual General Meeting. The management is not aware that any such amendments, variations or other matters are to be presented for action at such meetings.

By Order of the Board of Directors,  
B. W. HICKS,  
Vice-President and Secretary.



## **FRASER COMPANIES, LIMITED**

General and Executive Offices  
Edmundston, New Brunswick

Edmundston, N. B. — sulphite and groundwood  
pulp mills, sulphite and kraft bleaching  
plants, and paperboard mill

Atholville, N. B. — bleached sulphite pulp mill

Plaster Rock, N. B. — lumber mill, dressing  
mill and dry kiln

## **FRASER PAPER, LIMITED**

(Subsidiary Company)

Madawaska, Maine — paper mills manufac-  
turing high grade papers from chemical  
and groundwood pulps

## **W. H. MILLER COMPANY, LIMITED**

(Subsidiary Company)

Kedgwick, N. B. — lumber mill, dressing  
mill and dry kiln



AR25



# FRASER

REPORT TO THE SHAREHOLDERS OF  
FRASER COMPANIES, LIMITED  
FOR SIX MONTHS ENDED  
JUNE 30, 1975



TO THE SHAREHOLDERS:

Net income for the six months ended June 30, 1975 was \$2,292,000 or 98¢ per share on sales of \$64,547,000. The comparable 1974 result was \$5,443,000 or \$2.32 per share on sales of \$74,025,000.

Along with the paper industry in general, Fraser has experienced curtailed operations due to poor economic conditions. Depressed demand, in addition to customer inventory liquidation, has limited Fraser's production of pulp and paper to 68% of capacity and lumber to 44%. These low operating rates, coupled with sharply escalating costs and static or lower selling prices, have virtually wiped out operating profit margins. The impact has been partially offset by investment income and the premium on the U. S. dollar.

In the United States, which is our major market, indications are that the inventory liquidation process has largely run its course, and that the recession is at or near the bottom with an increase in economic activity anticipated. However, the timing and speed of any upturn is uncertain at this time.

The Labour Agreement at the Kedgwick Sawmill has been renewed for a two-year period. The Labour Contracts covering the Canadian pulp mills of the Company and the Madawaska paper mills do not expire until December 31, 1975 and October 31, 1976 respectively.

A dividend of 40¢ per share has been declared on both Class "A" and Class "B" shares payable September 26, 1975 to shareholders of record September 5, 1975. While this represents a high fraction of 1975 earnings, the Directors continue to believe that the rate established in 1974 should be feasible over the longer term.

C. R. Recor,  
President.

Edmundston, N. B.  
July 21, 1975.

FRASER COMPANIES, LIMITED AND SUBSIDIARIES

Six Months Ended June 30  
1975 1974\*  
(\$000's)

CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

Earnings:		
Net sales .....	\$64,547	\$74,025
Cost of sales .....	55,435	57,842
Depreciation and depletion .....	3,844	3,089
Selling, general and administrative expenses .....	3,298	2,486
	<u>62,577</u>	<u>63,417</u>
	1,970	10,608
Other income (expenses):		
Interest income .....	1,010	807
Interest on long-term debt .....	(253)	(252)
Gain (loss) on foreign exchange .....	1,117	(1,410)
Miscellaneous (net) .....	168	106
	<u>2,052</u>	<u>(749)</u>
Earnings before income taxes .....	4,022	9,859
Taxes on income .....	1,730	4,416
Net earnings .....	<u>\$ 2,292</u>	<u>\$ 5,443</u>
Net earnings per share .....	<u>\$ .98</u>	<u>\$ 2.32</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of funds:		
Net earnings .....	\$ 2,292	\$ 5,443
Add items not requiring expenditure of funds:		
Depreciation and depletion .....	3,844	3,089
Deferred taxes on income .....	341	519
	<u>6,477</u>	<u>9,051</u>
Received from Province of Quebec .....	—	996
Received from the Stock Purchase Plan .....	8	29
Total funds provided .....	<u>6,485</u>	<u>10,076</u>
Application of funds:		
Additions and improvements to plants and properties - net	4,030	2,424
Dividends .....	2,813	1,407
Other .....	810	810
	<u>7,653</u>	<u>4,641</u>
Total funds used .....	(1,168)	5,435
Increase (decrease) in working capital .....	35,467	21,763
Working capital at beginning of year .....		
Working capital at end of second quarter .....	<u>\$34,299</u>	<u>\$27,198</u>

\* Restated to reflect change in basis of accounting for foreign exchange.